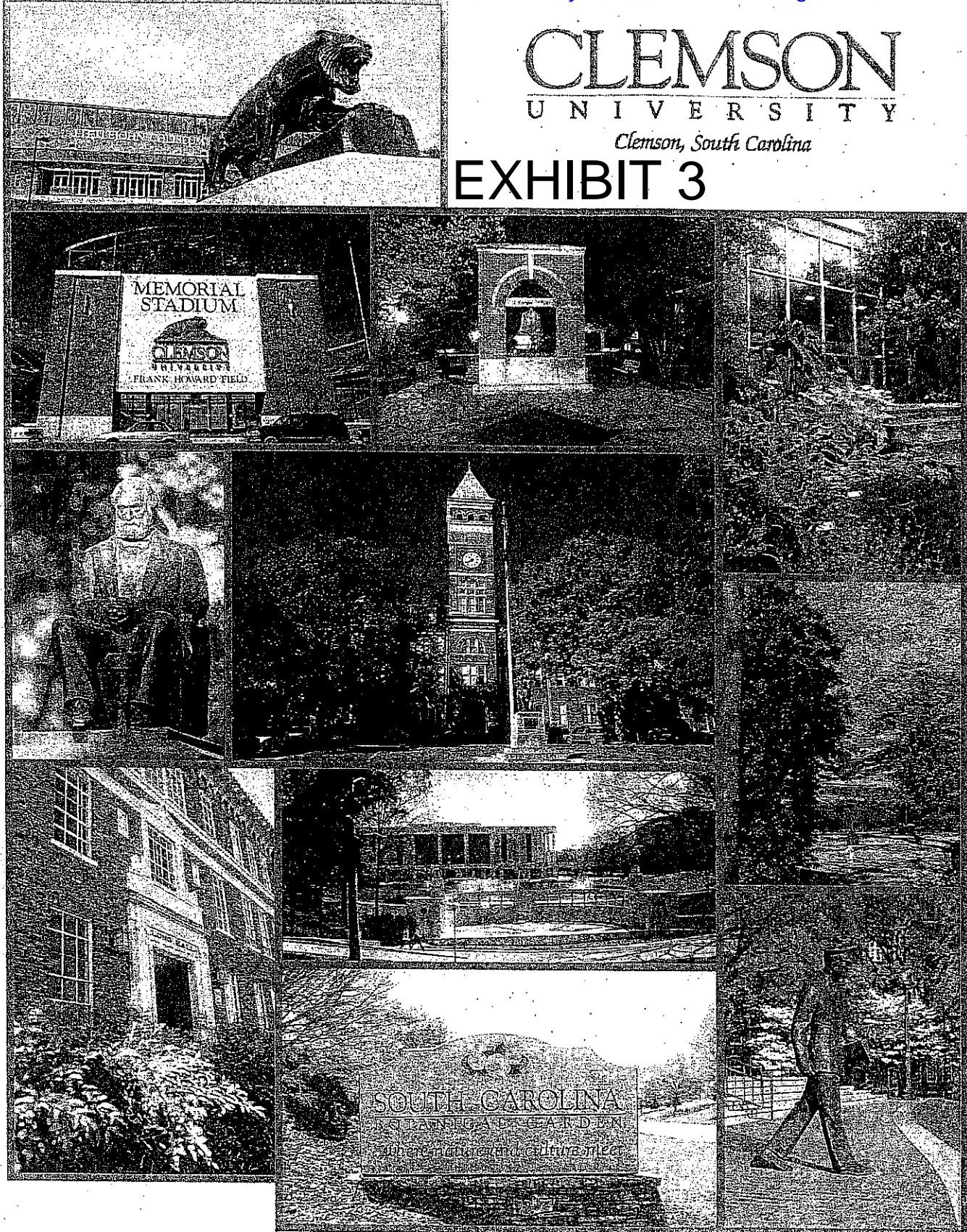


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Clemson, South Carolina

EXHIBIT 3



Comprehensive Annual Financial Report

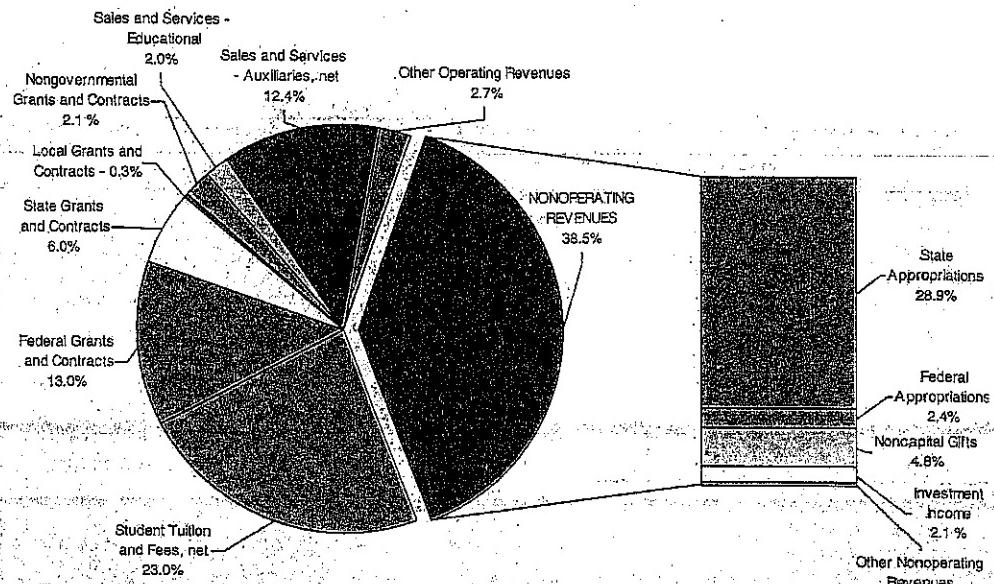
Included in the Higher Education Fund,
an Enterprise Fund of the State of South Carolina

CU 000262

For the Year Ended June 30, 2003

UNAUDITED

TOTAL REVENUES BY SOURCE



remainder of the compensation and employee benefits increase.

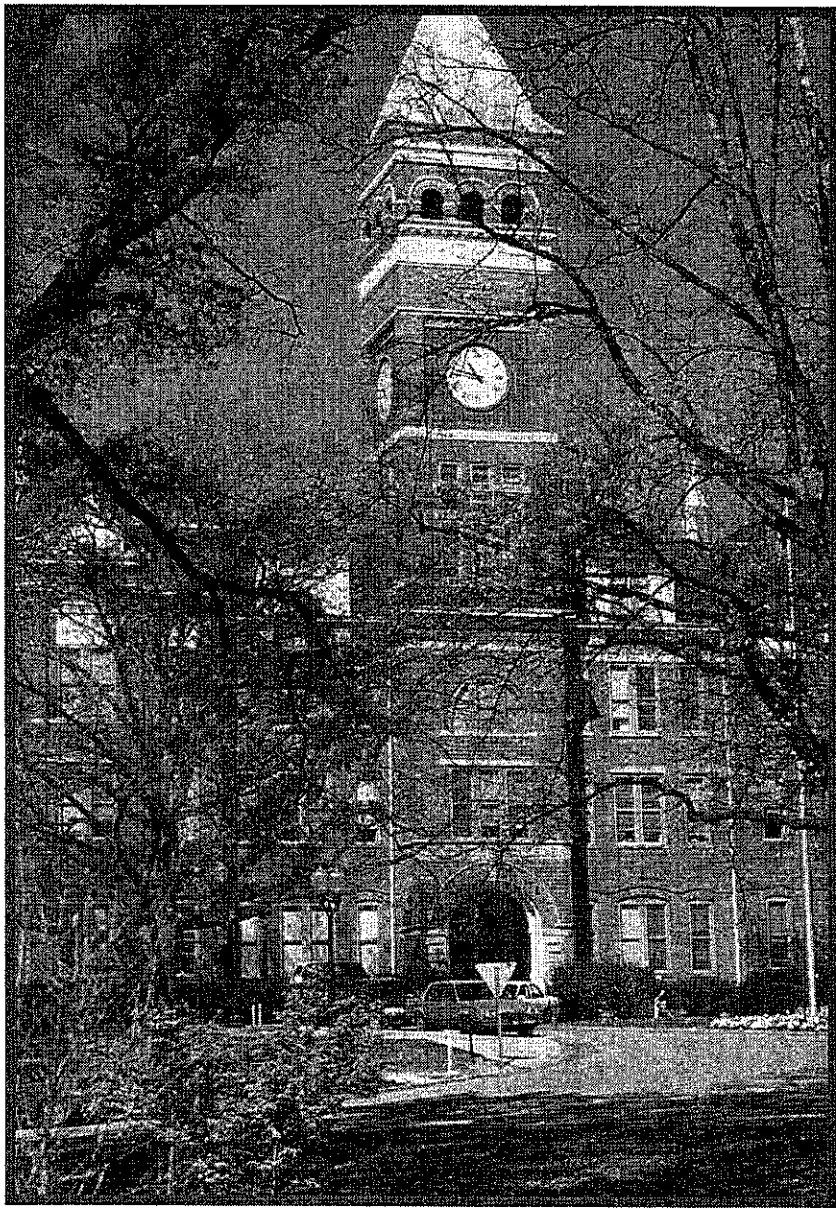
- Services and supplies expenses increased \$15.8 million for the year. More than one-half of this increase, \$8.8 million, was attributable to increases in campus maintenance, renovation and non-capitalized deferred maintenance costs. Converting campus space for research labs and installing wireless networking capability were two of these priorities. Increases in sponsored projects directly resulted in a \$3.7 million increase in public service and research services and supplies. Academic support costs increased \$1.4 million this past year due to increased library acquisitions and upgrades to hardware, software and network servers.
- Savings resulting from previous year upgrades and a renegotiation of the campus coal contract for a savings of 12 percent less resulted in 3.9 percent decrease in campus utilities costs for the year ending June 30, 2003.
- Depreciation expense increased \$3.2 million from the previous year. Almost \$90 million in new buildings were placed in service this past year, resulting in a \$2.4 million increase in depreciation expense.
- The Board mandated 14.6 percent student tuition and fees increase was directly responsible for the \$1.1 increase in scholarships and fellowships expenses.

- Nonoperating revenues declined \$28 million for the year ending June 30, 2003. Permanent cuts from the previous year, plus two mid-year reductions totaling 8.73 percent, resulted in a \$15.8 million decrease in state appropriations. A land sale the previous fiscal year yielded \$13.5 million. Lack of a similar transaction of this magnitude resulted in an overall decline of \$13.7 million in gain or losses on the disposal/sale of capital assets. An increase in investment income of \$4.5 million offset a decline in gifts of \$3.7 million. The investment income increase was attributable to fair market value increases in investments held by the State Treasurer for the University and in the value of amounts loaned to the Clemson University Foundation. The decline in gifts is attributable to several factors: The University's capital campaign ended in fiscal year 2002, resulting in an increase in contributions receivable and gifts earmarked for capital projects. Payments of these pledges and restricted capital contributions resulted in the marked increase in capital grants discussed below, but yielded the \$3.7 million decline in unrestricted gifts.
- Capital grants and appropriations increased \$2.4 million for the year ending June 30, 2003. A \$1.9 million decrease in capital improvement bond proceeds from the State was offset by a \$4.3 million increase in gifts earmarked for capital projects and federal capital equipment grants.

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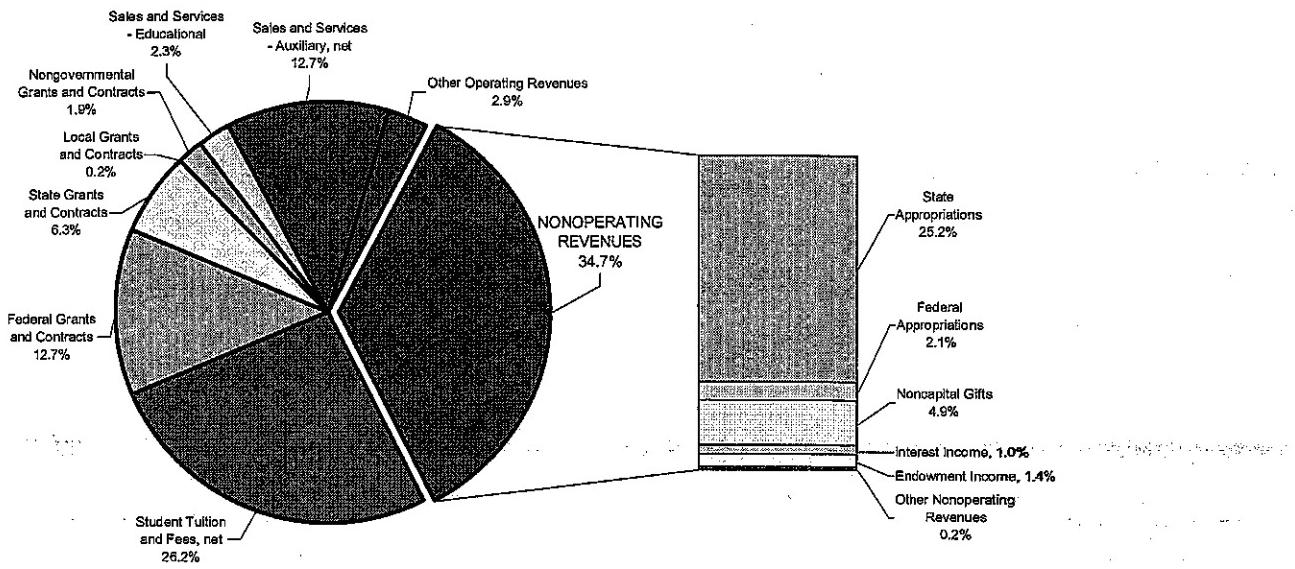
Clemson, South Carolina



Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

For the Year Ended June 30, 2004

UNAUDITED**TOTAL REVENUES BY SOURCE**

students and 12.37% for out-of-state students. Enrollment was up slightly this past year, and the percentage of out-of-state students increased. Also, the past fiscal year saw the addition of a new graduate student activity fee instituted at the request of the Graduate Student Association.

- Sales and services revenues increased \$5.4 million. Sales and services of auxiliaries were responsible for \$3.6 million of this amount. Athletics revenues were up \$1.4 million due to increased ticket sales. Housing and Food Services revenues were up \$1.1 million and \$343,000, respectively, due to Board-approved 6% and 2.5% fee increases. In addition, Information Systems Development revenues were up almost \$800,000 due to increases in billings for services.
- The \$1.9 million increase in sales and services of educational activities was mainly attributable to the University's public service activities. State regulatory changes doubled the pesticide registration fee from \$75 to \$150, yielding an additional \$962,000 in revenue to the University. Increased timber sales, partially in response to state budget cuts, yielded an additional \$413,000 in revenue. Revenues from 4-H and other developmental camps, including a new facility in Pickens County, increased \$344,000. Also, in attempt to defray state budget cuts, extension service fees were increased and yielded an additional \$217,000.
- Approximately \$1.7 million of the \$2.5 million increase in grants and contracts revenues was attributable to state-funded scholarship programs. Federal revenues for sponsored programs increased by \$751,000 from the prior year.
- The re-opening of Fike Recreation Center and Littlejohn Coliseum were primarily responsible for the approximately \$1.1 million increase in other operating revenues. With

its new addition, the Swann Fitness Center, Fike recognized a significant addition in recreation facility fees. Rental fees for student concerts, high school graduations and other events yielded a significant increase in Littlejohn Coliseum revenues.

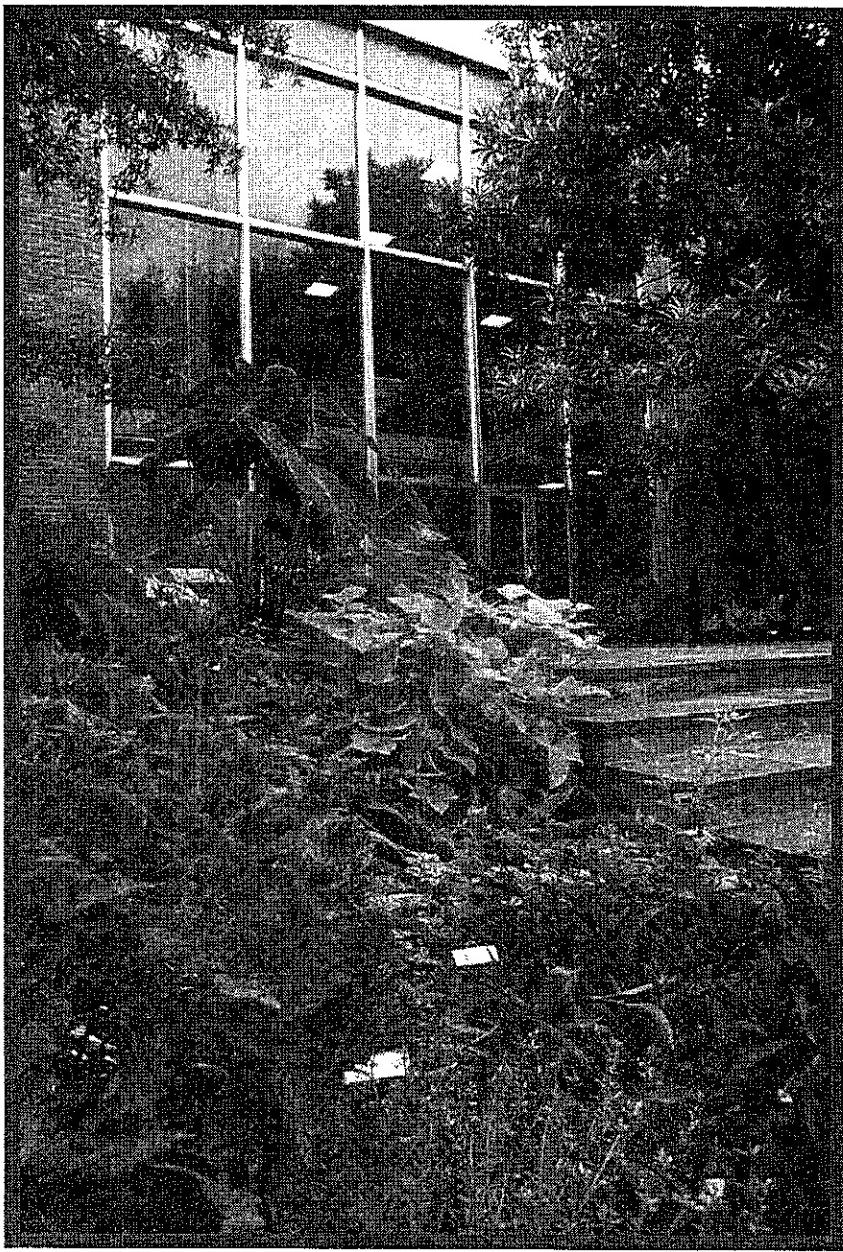
Operating Expenses – increase of \$2.2 million

- Compensation and employee benefits decreased by \$5.5 million. Faculty and staff salaries decreased \$9.8 million due to position reductions and early retirements. Increases in fringe benefits, including grad assistant tuition waivers, and part-time salaries, totaling \$4.3 million, offset the decline in permanent salaries.
- Over \$3.4 million of the \$6.5 million increase in service and supplies expenses was attributable to an increase in research, most notably a grant that paid out over \$3 million to sub recipients to increase South Carolina commercial shrimp production. Increases in Athletics and Housing were primarily responsible for the \$2 million increase in auxiliaries expenses. Athletics buildings maintenance expenses were up approximately \$1.2 million due to renovations to Jersey Athletic Center and the Seneca River Basin project. Housing expenses were up \$1.1 million, in large part, due to operating lease payments of \$891,000 for "Tigertown Village", alternative fraternity housing while campus renovations occur. Also, expenses for deferred maintenance projects contributed to a \$1.3 million increase in operation and maintenance of plant expenses. These increases were offset by a decline in academic support expenses due to a scheduled decrease in information technology hardware purchases.

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Clemson, South Carolina



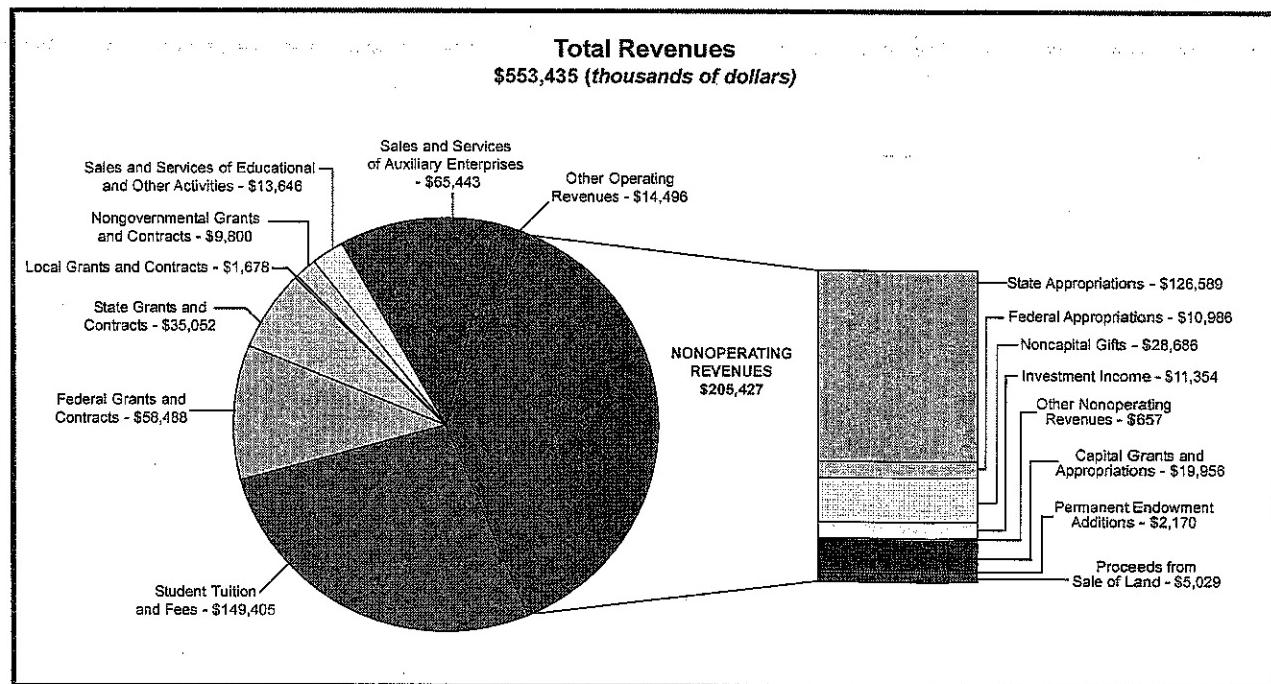
Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

For the Year Ended June 30, 2005

UNAUDITED**Total Revenues – increase of \$41.7 million**

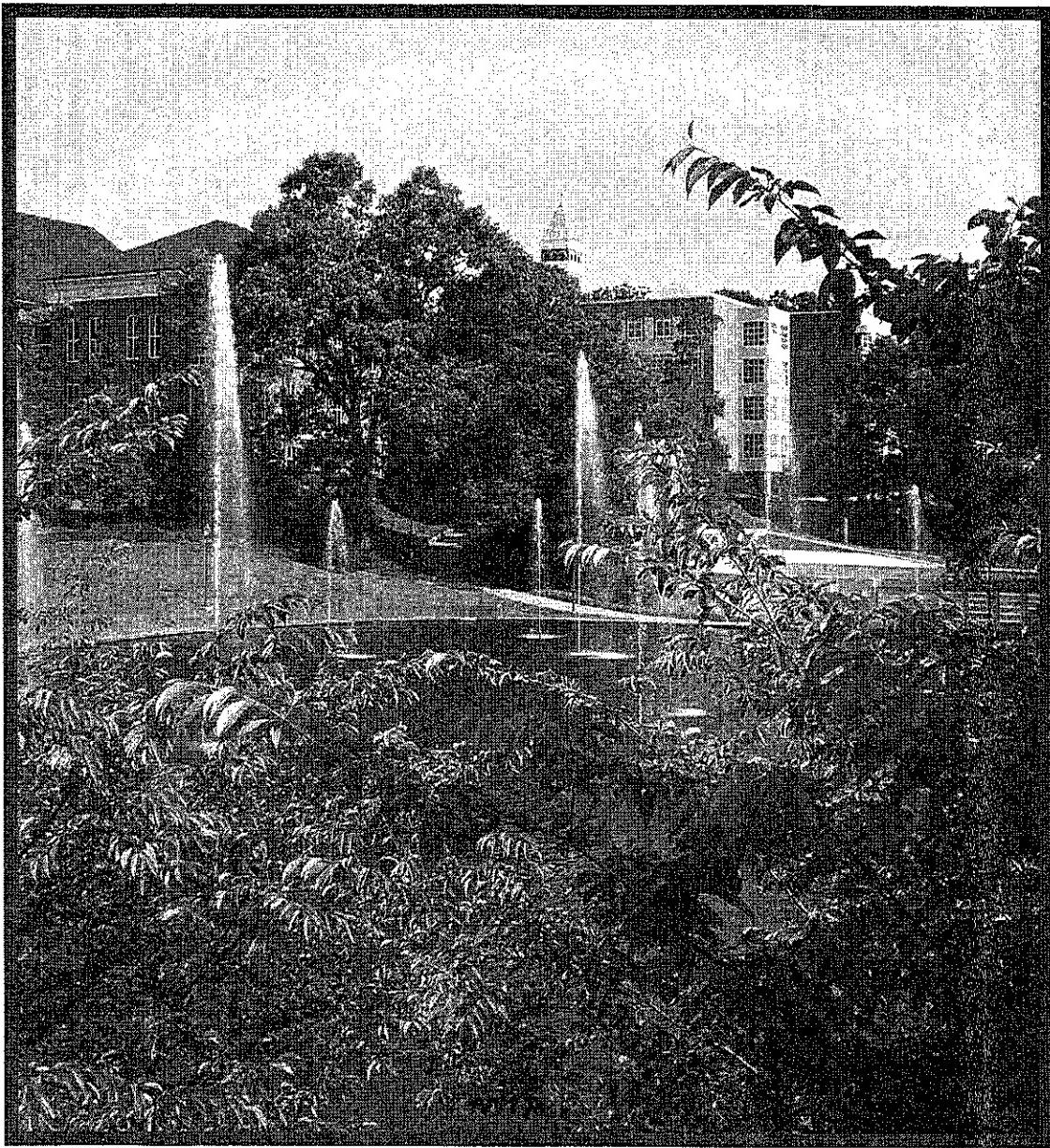
- Operating revenues increased \$21.7 million, based on the following:
 - Student tuition and fees increased \$18.4 million, the result of a Board approved increase of 12.7 percent, and an increase in enrollment of 168 students.
 - Sales and services revenues increased \$3.9 million. Sales and services of auxiliaries were responsible for \$1.7 million of this amount. Housing and Food Services revenues were up \$1.4 million and \$900,000, respectively, due to Board-approved fee increases. Offsetting these increases was a decrease in Athletics revenues of approximately \$800,000, stemming largely from the absence of a bowl game this past fiscal year. The remaining \$2.1 million increase in sales and services revenues was attributable to the University's public services component. In response to continuing state appropriation cuts, land and timber sales increased by \$858,000, revenues from leadership centers and camps increased \$734,000, and regulatory and local county fees were up approximately \$150,000 each.
 - Total grants and contracts revenues decreased approximately \$750,000. Federal grants and contracts revenues actually decreased \$5 million, a reflection of the "leveling off" of federal research support for higher education in the last year according to the *Chronicle of Higher Education*. This decline was offset by a \$3.6 million increase in state grants and contracts revenues. An additional \$1.6 million in primarily state lottery-funded scholarships was received through the State
- Nonoperating revenues increased \$20 million, based on the following:
 - State appropriations increased approximately \$600,000, attributable to a \$1.2 million increase in educational and general appropriations, and a \$600,000 decline in public service appropriations.
 - The \$647,000 increase in federal appropriations was mainly attributable to the differences in federal and state fiscal year ends. Awards for the Smith-Lever, Hatch, McIntire-Stennis, and Animal Health programs remained approximately the same.
 - Increased alumni giving and IPTAY gifts earmarked for the West End Zone expansion of Memorial Stadium contributed significantly to the \$4.4 million increase in gifts.
 - Investment income decreased \$331,000. The expenditure of previously received bond proceeds, and other restricted capital project funds eligible for investment income earnings from the State Treasurer was the primary reason for this decline.
 - Other nonoperating revenues decreased \$334,000. The previous year saw significant asbestos, fire and



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Clemson, South Carolina



Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

For the Year Ended June 30, 2006

UNAUDITED

revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues and are reported after "Income before other revenues, expenses, gains or losses."

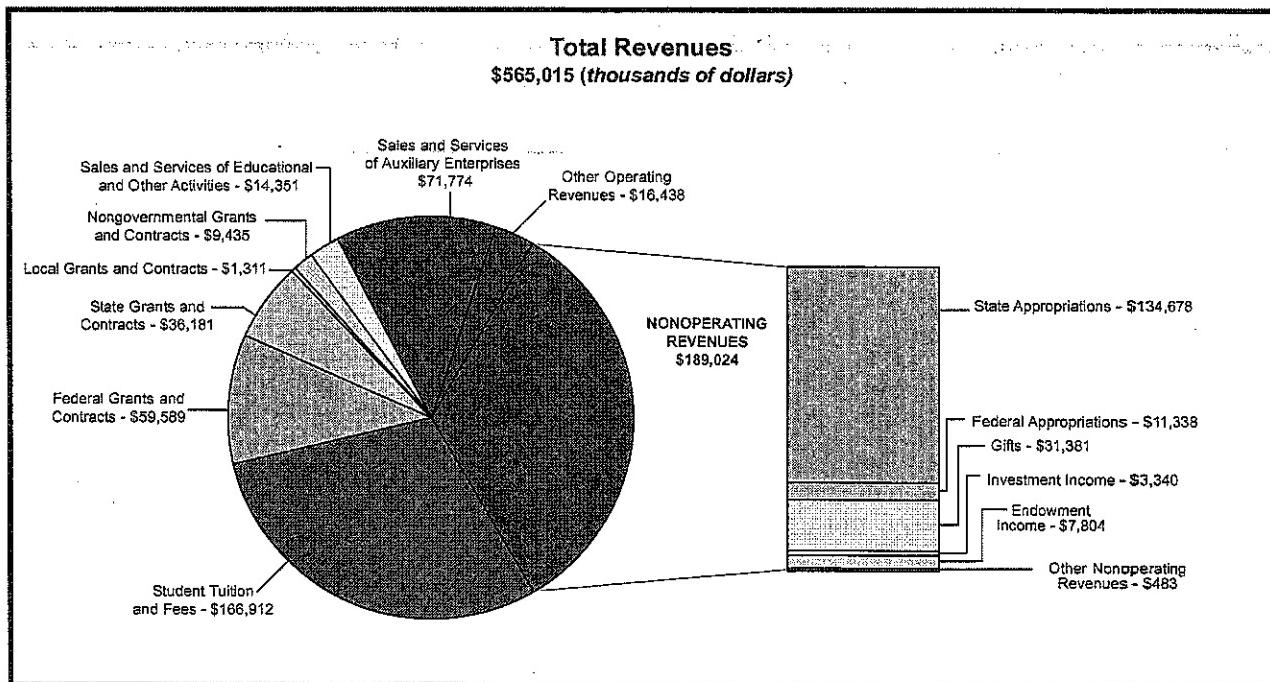
The Condensed Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in Net Assets at the end of the year. Some highlights of the information presented on this Statement are as follows:

Total Revenues – increase of \$33.7 million

- Operating revenues increased \$28 million, based on the following:
 - Student tuition and fees increased \$17.5 million, the result of a Board approved increase of 12.4 percent, and an increase in enrollment of 95 students.
 - Sales and services revenues increased \$7 million. Athletics contributed \$3.5 million of the \$5.2 million increase in sales and services of pledged auxiliaries due to increased ticket sales, bowl revenues, radio and television rights and corporate sponsorships. The remaining balance of the pledged revenues increase was attributable to Board approved Housing and Food Services increases. Sales and services of non-pledged auxiliaries increased \$1.1 million, primarily because of increased information and systems development fees and increases in summer programs. The remaining \$700,000 increase in sales and services was attributable to public service educational activities, including leadership centers and camps, regulatory and local county fees.
 - Grants and contracts revenues increased \$1.5 million. State funded grants and contracts, driven by increases
- Nonoperating revenues increased \$5.7 million, based on the following:
 - State appropriations increased \$8.1 million. Base appropriations for Educational & General activities increased \$5 million, and base appropriations for public service activities increased \$2.5 million. In addition, the University received supplemental appropriations of \$400,000 for deferred maintenance projects and \$408,000 for the Center for Optical Materials Science and Engineering Technologies.
 - The \$352,000 increase in federal appropriations was mainly attributable to the differences in federal and state fiscal year ends. Awards for the Smith-Lever, Hatch, McIntire-Stennis, and Animal Health programs remained virtually the same.
 - The \$2.7 million increase in gifts was attributable to a \$1.5 million increase in IPTAY contributions to provide athletic scholarships and a \$1.2 million increase in gifts

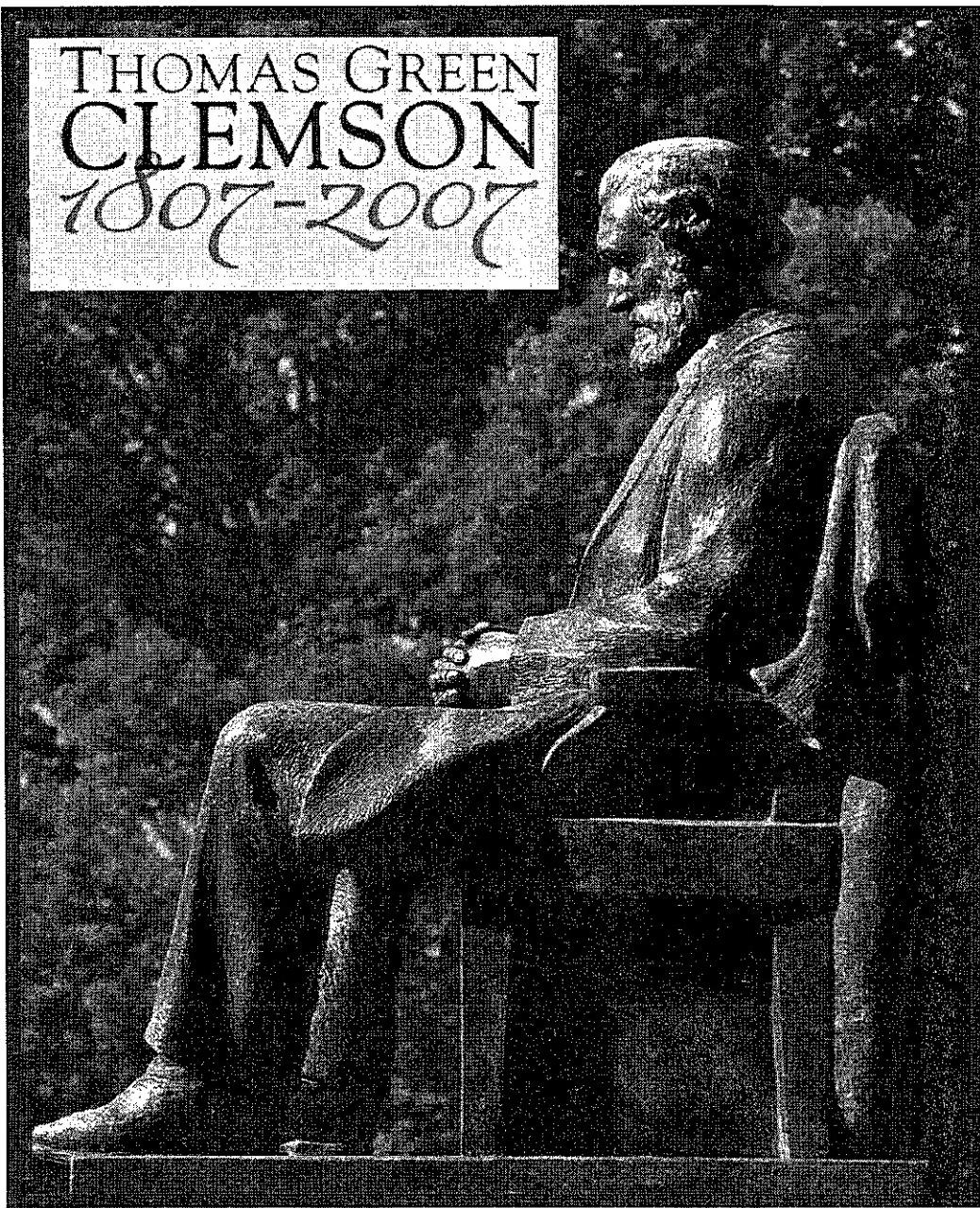
in State lottery funded scholarships, increased \$1.1 million. The \$1.1 million increase in Federal grants and contracts revenues was attributable to an increase in wireless communications projects funded by the Office of Naval Research. These increases were offset by modest declines in local and nongovernmental grants and contracts of approximately \$350,000 each.

- Fees for computer services provided to other State agencies generated almost one half of the \$1.9 million increase in other operating revenues. Reimbursements for contract courses, testing service fees and membership/consortium fees yielded an increase of almost \$750,000. The remainder of the increase was attributable to orientation, registration, student health, and recreation facility fees assessed to students.





CLEMSON, SOUTH CAROLINA



Comprehensive Annual Financial Report

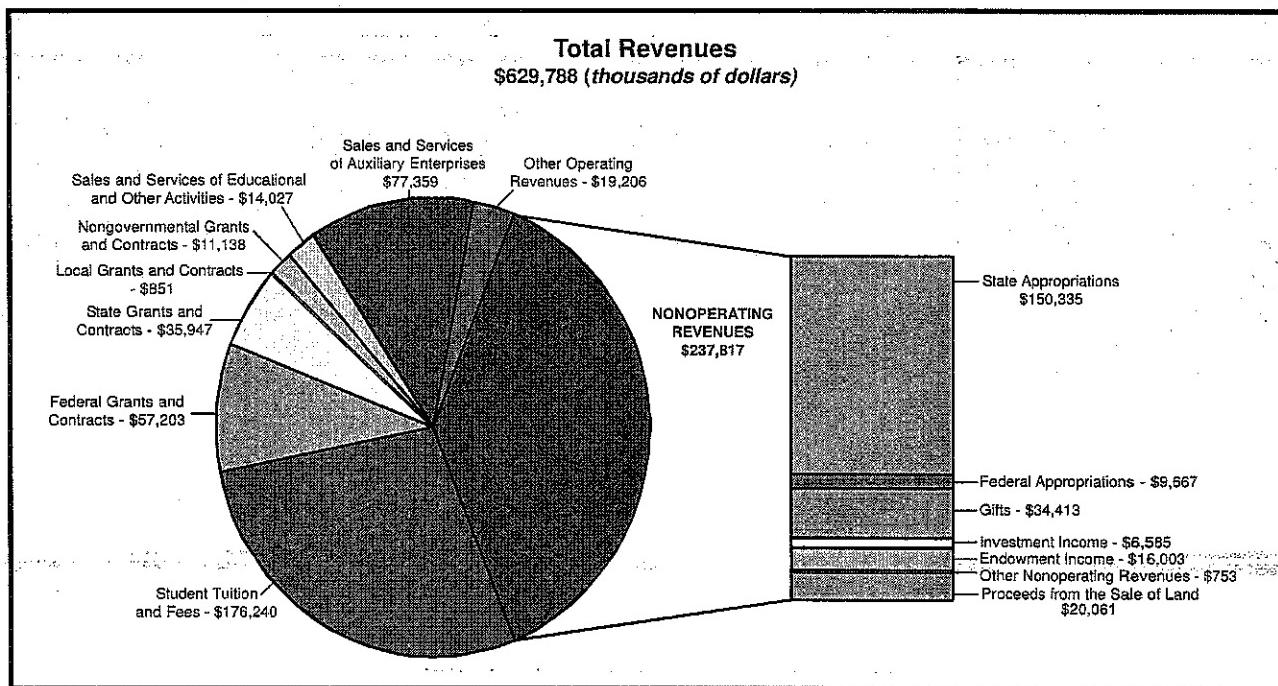
For the Year Ended June 30, 2007

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

UNAUDITED

million, and approximately \$1.4 million in recurring funding for State mandated pay increases. In addition, PSA also received \$1 million in non-recurring funding for repairs and renovations at the Edisto Research and Education Center.

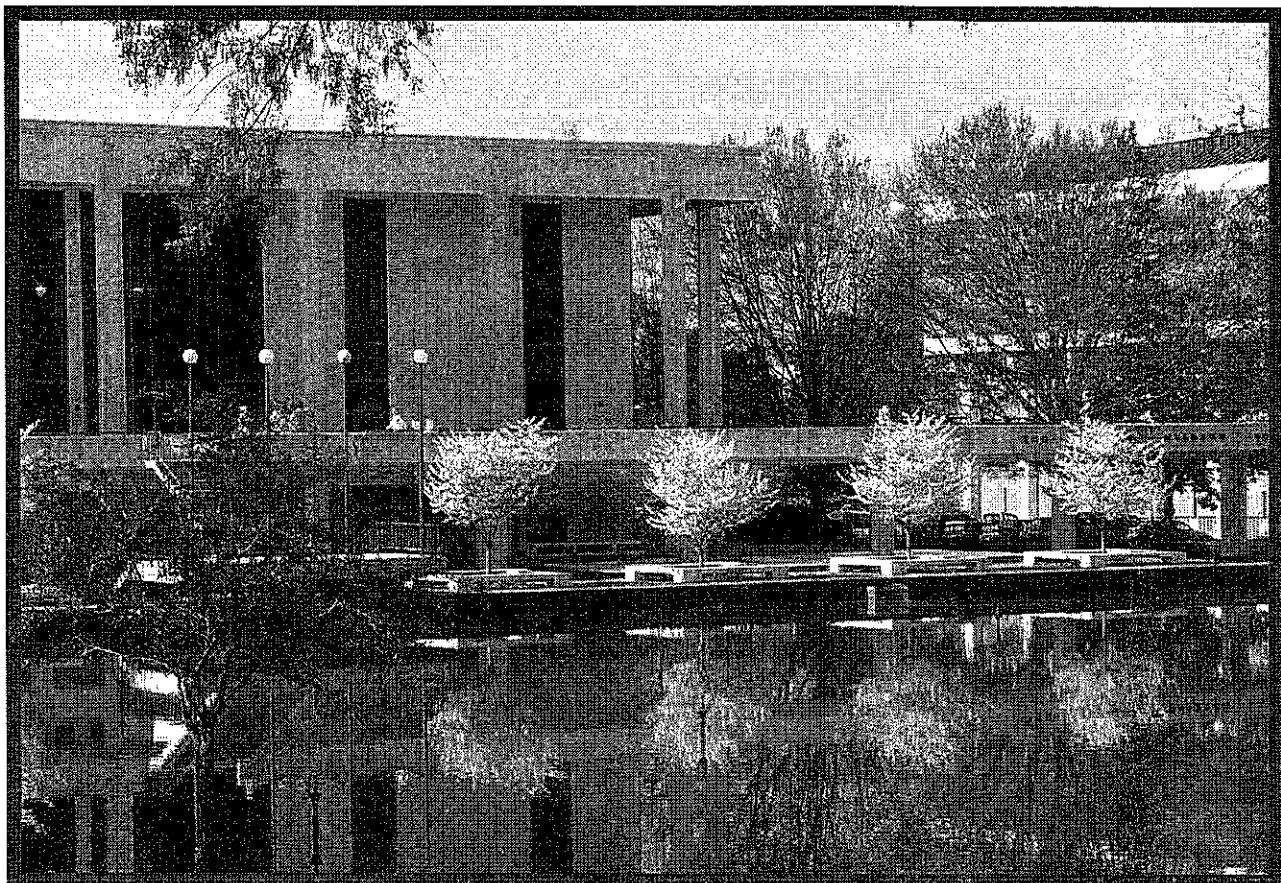
- The \$1.7 million decline in federal appropriations resulted from a dramatic turnover of faculty researchers. The long lead time for the proposal submission/peer review/USDA approval process for new faculty researchers resulted in new faculty researchers being paid from State funds this past year. Federal land-grant appropriations remain substantially the same and are available for future proposals.
- The \$3 million increase in gifts was almost totally attributable to \$3.5 million in demutualization proceeds received from Prudential. These funds, resulting from a former University-sponsored life insurance program, were placed in a quasi-endowment project for the benefit of University employees.
- Investment income increased \$11.4 million. Realized gains and unrealized appreciation from the CUF notes receivable and Wachovia investment accounted for \$7.3 million of this increase. The rest of the increase was attributable to amounts received and accrued from the State Treasurer's Office due to significantly higher cash balances.
- The other nonoperating revenues increase of \$270,000 was attributable to an increase in land-use restricted timber sales.
- The \$20.1 million increase in proceeds from the sale of land resulted in the sale of 257 acres of University-owned Myrtle Beach property.

**Total Expenses – increase of \$40.8 million**

- Operating expenses increased \$40.8 million, based on the following:

- Compensation and employee benefits increased \$25 million. A State mandated 3 percent cost-of-living pay raise, plus faculty turnover as anticipated by the Academic Road Map were the primary reasons for this increase. Unclassified faculty salaries increased \$11.7 million over the previous year. Employer fringes increased \$8.3 million, a reflection of rising benefits costs, and the decision to extend benefits to graduate assistants. Classified salaries for staff increased \$2.5 million. Salaries and wages for part-time workers and graduate assistant salaries increased \$1.3 million and \$1.2 million, respectively.
- Services and supplies expenses increased \$7.8 million. Instruction costs accounted for \$3.4 million of this increase due to increased information technology costs of \$1.5 million, increases in study abroad program costs of \$1.3 million, and a new Math & Science grant of almost \$600,000. Research costs increased \$3.2 million. Sponsored projects costs accounted for only \$200,000 of this amount. Most of the increase in research services and supplies expense was attributable to State funded non-recurring appropriations for COMSET, the Call Me Mister program and the Edisto Research and Education Center. Auxiliaries costs increased \$2.4 million. Football game day operations expense and Athletic facilities improvements contributed almost \$1.6 million to this increase. In addition, parking shuttle operations costs increased \$1 million. Institutional support costs increased \$1.7 million. Repairs to the University airplane were

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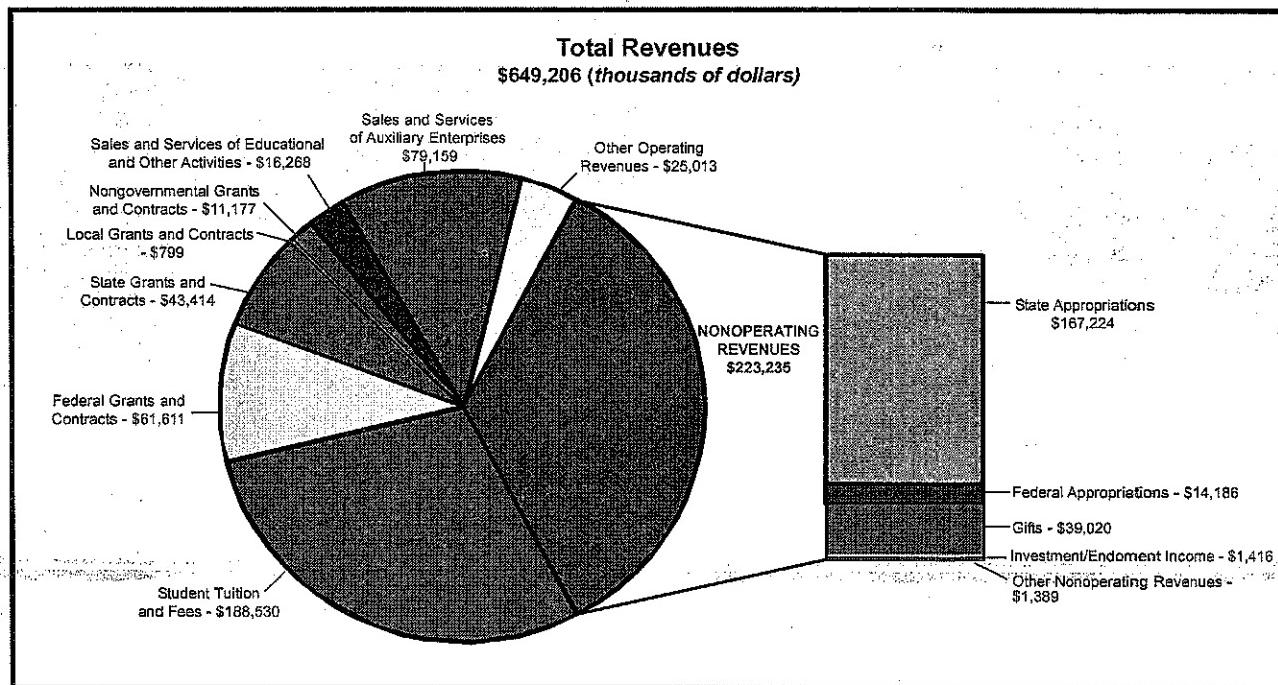
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

UNAUDITED

- Nonoperating revenues decreased \$14.6 million, based on the following:

- State appropriations increased \$16.9 million. Appropriations for Educational & General (E&G) activities increased \$10.3 million, including an increase of \$7.9 million for base appropriations and partial funding for salary and benefits increases, plus \$1.5 million for the high-tech Light Rail, \$800,000 for Engineering Research and \$105,000 for deferred maintenance. Appropriations for Public Service Activities (PSA) increased \$6.6 million.
- Federal appropriations increased \$4.5 million due to one-time funding provided by the US Department of Agriculture for Hatch and McIntire Stennis agricultural research projects.
- Gifts increased \$4.6 million. IPTAY's new seat equity plan resulted in an increase of gifts for scholarships to that entity of \$6.7 million. In addition, the Clemson University Foundation (CUF) increased gifts for the Eugene T. Moore School of Education, for National Scholars and for Clemson Scholars. These increases offset a decline of \$3.5 million in Prudential demutualization proceeds received the previous year.
- Investment income decreased \$21.2 million. An increase in investment income for cash amounts held by the State Treasurer was offset by realized and unrealized losses on amounts held by CUF of \$23.7 million.
- The other nonoperating revenues increase of \$636,000 was attributable to an asbestos abatement settlement.
- The University received \$20.1 million in proceeds from the sale of land last fiscal year. There were no similar sales this year.

**Total Expenses – increase of \$69.8 million**

- Operating expenses increased \$70.4 million, based on the following:

- Compensation and employee benefits increased \$35.9 million. A State mandated 1 percent cost-of-living pay raise, plus faculty turnover as anticipated by the Academic Road Map were the primary reasons for this increase. Unclassified faculty salaries increased \$13 million over the previous year. Employer fringes increased \$11.3 million, a reflection of rising benefits costs. Classified salaries for staff increased \$4.2 million. Salaries and wages for part-time workers and graduate assistant salaries increased \$4.5 million and \$2.8 million, respectively.
- Services and supplies expenses increased \$26.2 million. Instruction costs accounted for \$2.7 million of this increase due to increased network upgrade costs and costs incurred for a new SC Coalition for Math & Science grant received from the SC Department of Education. The research increase of \$7.1 million was also attributable to network upgrade costs in addition to start-up costs for CU-ICAR and a one-time funding increase for federal Hatch and McIntire Stennis agricultural research programs that could not be spent on recurring costs like salaries. The \$4.6 million increase in public service costs was attributable to network upgrade costs, renovations at the Madren Continuing Education Center, increased costs for camps and the Youth Learning Institute and a USDA funded Meat/Poultry Inspection sponsored project. Academic support costs decreased \$1.4 million due a decline in non-capitalized network upgrade costs from the previous year. Student services costs increased approximately \$1 million, primarily due to the Solid Orange spring event and increased costs for Tiger Paw